The Hidden Inflation Driver: How Rising Retail Fraud Is Quietly Lifting Prices in Australia

Introduction

For most of the public debate, inflation in Australia is about housing, power bills, food and interest rates. The latest figures from the ABS show consumer prices rising 3.8 percent in the 12 months to October 2025, with housing and food the largest contributors.

Those are the headline drivers that dominate commentary. Yet there is another cost pressure rising in the background that rarely appears in CPI discussions: digital retail fraud.

Fraud and scams are often treated as an unfortunate side effect of online commerce, a problem for risk teams and call centres. In reality, they have become a structural cost in the retail economy, one that is large enough to matter for both prices and inflation.

Billions at stake in scams and card fraud

Fraud has become a major cost burden for Australian retailers, with credible data showing the total impact now reaches around 4 billion dollars each year. AusPayNet reports that fraud on Australian-issued payment cards totalled 913 million dollars in 2024, increasing 20 percent in a single year. A significant share of these losses flow directly to merchants through card-not-present fraud, chargebacks, and unauthorised transactions. The 2024 ANZ Retail Crime Study found that total retail crime reached 7.79 billion dollars, with a substantial portion attributed to digital fraud, refund abuse, fraudulent claims, and other non-theft losses that disproportionately affect online and omnichannel retailers.

These data sources still understate the full burden. Retailers absorb large unreported losses across refund and return abuse, first-party misuse, promotion and voucher abuse, loyalty and account takeover, fraudulent fulfilment claims, and the operational workload tied to disputes and investigations. Industry studies from Australia, the United States, and the United Kingdom consistently show that these uncaptured categories typically add 50 to 100 percent on top of direct payment-fraud losses.

When these verified and modelled components are combined, the conservative total fraud burden borne by Australian retailers reaches around 4 billion dollars a year. These are losses that directly hit retailer P&Ls. They exclude consumer scam losses and reflect the structural cost of fraud inside the retail economy that ultimately flows through to pricing and competitiveness.

From fraud cost to higher price tags

To understand why this matters for inflation, it helps to set the fraud numbers against the size of the retail economy.

The Australian Retailers Association places the value of the retail economy at about 430 billion dollars a year. If we take a conservative midpoint and assume that fraud costs borne by retailers amount to around 4 billion dollars annually, that is just under 1 percent of retail turnover.

In simple terms, if retailers collectively pass that cost through to consumers, prices across the sector are about 0.9 percent higher than they would be in a hypothetical world with no fraud. That is a structural price effect: it tells us how much higher the average price level is because fraud exists at its current scale.

Inflation, however, is about movement, not level. The question for CPI is how much the increase in fraud costs from one year to the next adds to price growth.

If retail frauds and scam related costs, are rising at a similar rate, that increase alone adds roughly $800 million of extra cost in a single year. Set against about $430 billion of annual retail sales, that is roughly 0.2 percentage points of extra retail price inflation.

What that means for CPI

Headline CPI covers the full household basket, not just retail goods. The ABS notes that several categories, specifically, housing, food and recreation are currently the largest contributors to annual inflation.

As an estimate of the sum of categories, retail goods account for roughly 40 percent of the CPI basket, so a 0.2 percent fraud driven increase in retail prices feeds through as about 0.08 percentage points of headline CPI. This is a material impact that is buried inside the 3.8 percent annual inflation rate.

Although this might look small at first glance, it still represents more than two percent of the total inflation number. In many months, the whole change in CPI is only a few tenths of a percentage point. A persistent cost driver that quietly adds almost 0.1 percentage points a year is therefore worth attention, especially when it is one of the few levers that can be reduced by domestic action rather than global forces.

We already mobilise for similar impacts

Policy and industry already devote significant energy to other cost drivers with similar sized impacts on CPI.

Recent coverage of the 3.8 percent inflation reading has focused heavily on the spike in electricity prices that followed the winding back of state energy rebates, and on the contribution of higher housing costs.
Fuel price movements routinely attract political scrutiny and market commentary. Annual health insurance premium rounds are closely regulated and publicly debated. Logistics costs and port charges are the subject of regular inquiries. Currency movements of only a few percent against the United States dollar are examined for their likely impact on imported consumer goods.

Each of these factors can move inflation by a few basis points at a time. Governments accept that this is enough to warrant coordinated responses, whether through regulation, targeted relief, or industry action.

By contrast, the fraud burden sits mostly in the background. The National Anti Scam Centre has been created and is doing important work in coordinating responses to scams against individuals, and combined reported losses have begun to fall from their 2022 peak, but Australians still lost around 2 billion dollars to scams in 2024 and losses remain elevated in early 2025.

The specific cost of fraud borne by retailers alongside banks and platforms is rarely framed as part of the inflation story.

Why fraud reduction deserves equal macro priority

There are several reasons to treat fraud reduction as a macroeconomic priority rather than a niche operational issue.

Verified data shows card fraud on Australian-issued cards reached $913 million in 2024, while business-borne fraud and retail crime add several hundred million more in direct losses. When refund abuse, first-party misuse, account takeover, promotion abuse, and operational fraud costs are included, the total fraud burden on the retail sector reaches between $3.5 and $4 billion a year. This figure reflects losses directly impacting retailers, excluding consumer scam losses that do not flow through to retail pricing.

In a low margin sector like retail, this level of loss inevitably feeds into prices.

Second, fraud is one of the few drivers of inflation that is almost entirely within domestic control. Australia cannot dictate global energy prices or exchange rates. It can, however, materially reduce fraud by improving data sharing, strengthening controls, and aligning incentives between banks, retailers, telcos, platforms and regulators. That makes fraud a rare case where better coordination can genuinely shrink the inflationary pressure, not just offset its effects.

Third, the economic payoff from reducing fraud goes beyond inflation. Every dollar of fraud prevented is a dollar that can be redirected into sharper pricing, higher wages, better customer experience or investment in innovation. Over time, that is a productivity gain for the sector and a competitive advantage for the economy.

Finally, fraud imposes real human costs that are not visible in CPI: stress, loss of confidence in online channels and time spent resolving disputes. National Anti Scam Centre officials regularly point out that recorded losses likely understate the true problem because many people and businesses do not report.

Reducing fraud improves both economic and social outcomes.

Coordination as the biggest lever

Fraudsters operate across boundaries. They exploit whichever channel has the weakest controls, whether that is a retailer checkout, a banking app, a telco account, a social media platform or a government service. They also adapt quickly, moving into new scam formats, such as deepfake investment pitches and fake online stores, as soon as they see an opportunity.

The most significant reductions in fraud come when legitimate actors match that level of coordination. The National Anti Scam Centre’s work in joining up banks, telcos, platforms and government agencies is one example. Joint initiatives between banks and social platforms to take down fake investment ads are another.

When data on mule accounts, compromised devices, scam typologies and high risk merchants is shared quickly across the ecosystem, it becomes much harder for offenders to simply move from one target to the next.

The same logic applies within retail. When fraud data is pooled across merchants rather than trapped inside individual loss tables, patterns like serial refund abuse, cross-retailer promotion misuse and coordinated card testing can be spotted and stopped much earlier. The single largest impact on fraud reduction will come from this kind of coordinated response that treats the ecosystem as a whole, rather than a collection of isolated victims.

Conclusion: fraud reduction as economic reform

Australia has begun to take consumer scams more seriously, and reported scam losses have started to decline. However, retail driven fraud is rising sharply across card-not-present transactions, returns abuse, account takeover and other forms of digital retail crime. Despite this growth, its connection to prices and inflation remains almost entirely absent from public discussion.

Viewed through an inflation lens, retail fraud is not just a security or trust issue. It is a hidden driver of higher prices, and a meaningful contributor to CPI. This in turn adds pressure to households already feeling strain from higher prices due to structural elements. Reducing it requires the same seriousness that Australia already applies to fuel, energy, insurance and other CPI drivers.

If Australia wants a retail sector that is both digitally advanced and competitively priced, treating retail fraud reduction as an economic reform built on coordinated action across all actors will be essential.

Sources & Data Notes

This article draws on publicly available data across the Australian retail, payments, and economic ecosystem. Key inputs include:

Australian Payments Network (AusPayNet):
2023 and 2024 card fraud statistics including growth in card-not-present fraud, total fraud value, domestic versus international fraud ratios, and fraud rates per thousand dollars spent.

Australian Bureau of Statistics (ABS):
CPI methodology, CPI group weights, household consumption weighting updates, and the CPI inflation rate of 3.8 percent for the year to October 2025. Retail turnover data from the Australian Retailers Association linked to ABS consumption measures was used to scale retail sector impact.

National Anti Scam Centre (NASC) and ACCC Scamwatch:
Annual scam loss reporting, scam category breakdowns, and cross channel scam activity that indirectly affects retailers through chargebacks, authorised scam transactions, and identity misuse.

ANZ Retail Crime Study 2024:
Retail crime cost estimates including fraud, operational losses, shrink, and the proportion of losses attributed to digital retail crime within the broader retail crime total of 7.79 billion dollars.

Retail sector dispute and fraud data:
Merchant reported chargeback volumes, friendly fraud proportions, and refund abuse patterns from leading payment processors, dispute management platforms, and eCommerce fraud risk vendors.

Returns and first-party-misuse benchmarks:
Reference benchmarks from the National Retail Federation, Appriss Retail, and international refund fraud studies used to size uncaptured retailer borne losses such as wardrobing, policy abuse, and serial claims.

Account takeover and identity risk data:
Industry reporting from authentication and identity security providers on credential stuffing, loyalty account takeover, and compromised identity trends impacting eCommerce flows.

Economic translation and modelling:
Fraud cost estimates were compared to annual retail turnover to calculate price level effects. Year on year changes in fraud costs were translated into estimated retail price inflation. CPI contribution estimates were derived using the share of goods related categories within the CPI basket based on the latest ABS weightings.

Where Australian figures were unavailable, reputable international benchmarks were adjusted using Australian retail turnover, digital commerce penetration, and historical fraud proportions.

All estimates presented in this report are indicative, based on aggregated datasets, industry reporting, and modelled extrapolations across the Australian retail sector.

About the Authors

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About CROSEC

CROSEC is an industry-led initiative dedicated to reducing digital fraud across the retail sector through collective intelligence, practical tools, and coordinated action. We bring retailers, payment providers, platforms, and technology partners together to share insights, standardise fraud indicators, and strengthen defences across the entire ecosystem. Our mission is to help retailers stay ahead of rapidly evolving fraud threats and minimise losses through collaboration rather than isolated effort.

Social Media

Connect with CROSEC on LinkedIn or X for more insights on leadership, M&A and private equity.

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Published October 2025